

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION SUB-COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BILL GLASER**, on April 5, 2001 at 4:35 P.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Bill Glaser, Chairman (R)
Sen. Alvin Ellis Jr. (R)
Sen. Emily Stonington (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Linda Ashworth, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Discussion: HOUSE BILL 124,

DISCUSSION ON HB 124

Terry Johnson, Legislative Fiscal Division, distributed an analysis of local government funding as proposed in HB 124, **EXHIBIT (tas77a01)** and with the Mangan Amendment, **EXHIBIT (tas77a02)**. **Mr. Johnson** explained that the expenditure information had been refined to change the local entitlements from 3% to 2.3% beginning in fiscal year 2006. He also increased the TIFs saving account in the proposed fund.

Jim Standards submitted data that was broken down by county, **EXHIBIT (tas77a03)** and referred to HB 124 entitlements as if they took place in fiscal year 2001. It included the total for county and city governments, school districts, county-wide education accounts, transportation and retirement accounts.

Judy Paynter, Department of Revenue, presented information regarding the consequences of HB 124 and the policy issues that would arise with the passage of the bill, **EXHIBIT(tas77a04)**. **SEN. EMILY STONINGTON** questioned whether the **Mangan** Amendments were included in the analysis. **Ms. Paynter** stated that they were not included.

THE FOLLOWING SEGMENT WAS TYPED DIRECTLY FROM THE TAPE AT THE REQUEST OF THE CHAIRMAN.

"Right now the law is written and you just reduce the reimbursement each year but if you stop that reimbursement program going on today, which this does, it stops that. Right now they have taken that property tax reduction out of county wide retirement and they have taken it down from there. But, in 2005 what are you going to do with that property tax reduction from 2005 forward. I did not address that policy issue here."

"The impact to the state you see the revenue that is just the sum total of the top box, the 206 over in fiscal year 11 and the expenses of 216 for a net general fund cost of 9.6 million in FY 11. What drives that cost is shown in the next box. Your impact to your property tax payers. Right now your property tax payers are receiving this benefit from the bill. They are receiving reduced property taxes for K-12 due to increasing a non-revenue. They are having reduced property taxes because of the GTB payments. So when you reduced the GTB payments by the general fund reductions in HB 20 and 417 it wasn't a dollar for dollar shift to the property tax payer because you increased your general fund GTB costs to offset that. When you get to fiscal year 06 you see HB 20 and SB 417 payment reductions of 2.6. I did not work that payment reduction that continues on for another three years into anything up above as an expenditure reduction for the state so that is a policy decision that you have to make. If you don't continue that on you are given property tax relief, so over the time period you are giving 79 or 80 million dollars of property tax relief. When you go out ten years there are policy choices that have to be made. If you make the policy decision there, than that decreases your cost up above to the state so when you look at the impact to the Montana taxpayer they have property tax savings, which I have on the first line of 79.9 million dollars and you have a general fund cost of 54.3 million dollars or the taxpayers come out 26.7 million ahead under the assumptions made here. There are policy assumptions you can make that shift some of the state cost onto the property taxpayers, which is what is happening under current law. So those choices are yours."

"What's going on is property tax relief is given at the local level and at the way that these are getting carried out you are showing

the state's general fund picking up the cost to give that property tax relief. And that is in fiscal 03 and 05 when you are in session. You choice on how you want to handle that, whether you choose to have property tax relief or general fund costs."

THIS IS THE END OF THE DIRECT QUOTATION FROM THE TAPE.

SEN. STONINGTON questioned whether district court costs and the revenue on the district court mills were built into **Ms. Paynter's** analysis. **Ms. Paynter** clarified that the mills on the local level were not addressed in the analysis. **SEN. STONINGTON** questioned the 10% motor vehicle fee, listed under the revenue impacts. **Ms. Paynter** purported that 10% of the motor vehicle fees would go to district court. She added that 1.5% per year would address the growth factor.

SEN. STONINGTON questioned the reason behind property tax relief vs. general fund cost. **Ms. Paynter** responded that HB 20 and SB 417 were reimbursement programs that have cut 10% of the base amount since 1999. She maintained the cuts would result in a reduction of 2.6 million dollars per year for property tax under current law.

SEN. STONINGTON contended that the cost of the reimbursement would be picked up by the local property tax mill. **Ms. Paynter** agreed, claiming that each year local property taxes would pick up an additional 2.6 million dollars. She explained that saving property tax would not allow the schools to increase their expenditures. The money would revert to a general fund savings in the GTB payment or a taxpayer property tax savings.

Ms. Paynter continued to explain that the committee had taken the 2.6 million decrease in HB 20 and SB 417 from the payments to be made to county-wide retirement, which increased the state GTB payment. The 2.6 added to property taxpayers would increase the state GTB.

SEN. STONINGTON queried what the additional impact would be to the growth factor in the county retirement and transportation from the Mangan Amendment. **Ms. Paynter** maintained this would not be a good way to put money into schools.

SEN. STONINGTON questioned why there would be net property tax relief when costs were increasing. **SEN. ELLIS** maintained counties have had trouble keeping up with court costs and school funding which had resulted in saving GTB money.

Ms. Paynter reminded the committee that gaming revenue and financial revenue would come into play in 2002, which would allow a delay in deciding the choices of taxpayer relief until fiscal

year 2006. **Ms. Paynter** encouraged the sub-committee to address the issue of property tax relief at the expense of the general fund expenditures. She suggested that the issues be addressed during the next two legislative sessions.

{Tape : 1; Side : A; Approx. Time Counter : 0 - 32}

Brad Simshaw, Department of Revenue, handed out information comparing current law to HB 124 on the impact of each to Montana cities, **EXHIBIT(tas77a05)** and counties, **EXHIBIT(tas77a06)**. **SEN. STONINGTON** pointed out that the charts would be inaccurate for counties where gaming revenues were growing faster than the statewide average. **Mr. Simshaw** distributed and explained the impact of higher growth rates on the city Bozeman, under current law and with HB 124, **EXHIBIT(tas77a07)**. **Mr. Simshaw** compared current law reimbursements with holding reimbursements at fiscal year 2001 levels, **EXHIBIT(tas77a08)**.

Mr. Simshaw distributed and commented on the comparison of current law reimbursements with holding reimbursements at fiscal year 2001 levels for counties, **EXHIBIT(tas77a09)** and cities, **EXHIBIT(tas77a10)**.

SEN. ALVIN ELLIS offered technical amendments to HB 124 (HB012433.agp), **EXHIBIT(tas77a11)**. **Larry Finch**, Department of Revenue, explained each amendment to the sub-committee. **Mr. Finch** maintained that amendments would set exact fee amounts, make sure the fees would be in the right places, and would allocate the fees to the correct agencies under the general concept of the bill.

{Tape : 1; Side : B; Approx. Time Counter : 0 - 32}

{Tape : 2; Side : A; Approx. Time Counter : 0 - 10}

SEN. ELLIS stated his intention of including amendments 1-3, as alluded to at the first sub-committee meeting. **Lee Heiman** indicated he was working on the statement of intent which would be included.

Larry Finch offered amendment (HB012440.agp), **EXHIBIT(tas77a12)** which would revise Department of Transportation funds and appropriate funds for SB 176. **Mr. Simshaw** instructed that the bill would pay the Department of Transportation the same level of revenue it would receive without HB 124.

SEN. STONINGTON reported on two sets of amendments. One set would strip all funding from the bill, allowing it to remain allocated under current law. The second set would address the phase down of prior reimbursements for reductions in personal property tax and

would repeal the session law that would repeal 15-1-111. **Lee Heiman** distributed copies of the second amendment, stating that it would contain both versions, (HB012438.agp) **EXHIBIT**(tas77a13).

Gordon Morris purported that amendments would be needed to coordinate language with SB 176, which would allow the two bills to work together. **Judy Paynter** informed the sub-committee that **Greg Petesch** was working on the language. **Mr. Morris** added that the amendments on 176 would provide a safety valve mechanism relative to the cost.

{Tape : 2; Side : A; Approx. Time Counter : 10 - 30}

ADJOURNMENT

Adjournment: 5:30 P.M.

SEN. BILL GLASER, Chairman

LINDA ASHWORTH, Secretary

BG/LA